

GOODWIN'S WEEKLY

Mining and Financial

7

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ALTHOUGH the post-holiday revival of the mining stock market has not made its appearance, yet the general belief in its coming has not been given up. Even the bearish market with which the present week began is interpreted as a sign of early improvement. A bear movement is much to be preferred to no movement at all. As Harry Joseph used to say when he was a legislator: "Roast me if you want to, but say something about me." It is a dead level of prices and no trading that take the heart out of the mining game. When there is enough interest in stocks to give birth to bear activity there is inspiration likewise for opposition by the bulls. Ours is a pretty good market after all when a shock such as the collapse of a leader like Prince Consolidated leaves most of the list intact.

The inside story of the Prince slump has not been told. It may never be told. But the general conditions that brought it about are well understood. With the purchase of the control by eastern interests a decision was reached to advance the price of the issue in defiance of the morbid market. It was assumed that a property with a railroad of its own, millions of tons of ore and tailings, complete development, heavy production and no debts worth mentioning was worth more than 80 or 90 cents. So it was. The new owners were right about this. But they overlooked the fact that fifteen or twenty other local stocks were in the same position—selling below their intrinsic worth. Good mines alone do not make markets; it takes buyers. Relying solely upon the merits of their property the Prince people set about boosting their issue by selling their stock to themselves.

It may have been possible for the inhabitants of Carpenter's Island to make a living by taking in each other's washing, but the mining market is not on Carpenter's Island. The public looked on approvingly while Prince was bid up from one level to another, but it was not the public's day to buy and its support was only moral support. In time Prince was boosted to something like its real value, but its fellow stocks did not keep it company. The position of high stock on a dead market was honorable, but dangerous. It was a standing temptation to everybody who held any of it to get his money out from the high stock and put it into the low ones. From the offerings of Prince that came into the market it is clear that this is precisely what somebody and his sisters and cousins and aunts did. Just who did it is immaterial, the fact remains that the Prince market was chiefly home-made and lacked the essential feature of safety and sanity—public participation.

This brings us to a very old, but ever applicable moral; that one gets in bad when he tries to help himself without helping others. If other

stocks had kept pace with Prince in its advance there would have been no incentive for unloading. If the advance had been based on a public appreciation of the merits of the stock the market would have absorbed the shares that were unloaded and the slump would not have ensued. With this moral in view there is a good deal of enlightened selfishness in the effort of the exchange membership to start a bureau of information and publicity. The narrow idea that any one offering suffers from the popularity of its rivals is losing ground before the lesson that as a rule stocks will stand or fall together.

Had you noticed that the actual valuation placed upon the property of the Iron Blossom company is a million dollars? The quoted price is about \$1.40 a share, or \$1,400,000, but 10 cents will be rebated on each share with the payment of the January dividend today and there is more than 20 cents in the treasury for each share of stock outstanding, so that 40 cents on the price of each share is represented by cash. On a million dollar valuation, therefore, the Iron Blossom is earning profits at the rate of \$400,000, or 40 per cent. If it were selling at \$2 a share it would be earning 20 per cent, and 20 per cent is considered a fancy income on industrial and commercial stocks that have far less real property back of them than has Iron Blossom. If one wants security the Iron Blossom has at the most conservative estimates, more than two million dollars worth of ore tucked away in its viscera.

Reverting again to Prince Consolidated, it can be shown that Prince is the equal in every way of its Tintic colleague. The value of the ore in sight is virtually the same and analysis of their dividend-earning possibilities shows but little difference. The Iron Blossom has paid dividends and the Prince has not, but this simply means that the Prince should have more dividends coming. Iron Blossom and Prince are capitalized with the same number of shares. If one is worth \$2 the other should be at approximately the same level.

These two shares are typical of the whole list. Other and cheaper stocks are sold, when they are sold at all, at the same proportion of their true value—that is, for about half what they are worth judged by standards of value that are applied to all other kinds of property. The break in prices this week has put choice mining securities at figures that discount any other securities in any market. The general public, of course, will not take advantage of the bargains, but some of the bolder spirits will, and a few men will make a wad of money when the reaction starts. Fortunately there are some men who appraise mines as they would horses or buildings and invest when prices fall below values, regardless

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